



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 103
COURSE TITLE : ACCOUNTING PRINCIPLES AND CONCEPTS
DURATION : 3 Hours
DATE : 30 May 2019

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer all questions.
4. Each question carries 25 marks.
5. Begin each question on a new page.
6. The number of marks for each question or part question is shown in brackets.

Question One

- a. The IASC Framework identifies the principal qualitative characteristics of financial statements. Briefly explain each of these characteristics (16marks)
- b. Analyse the usefulness of financial statements to the following users
- i. Creditors
 - ii. Customers
 - iii. Employees

(9marks)

[Total: 25 Marks]

Question Two

The following are extracts from the cash book and the bank statement of F Aerodrome:

Cash Book

Dr			Cr		
2018		\$	2018		\$
Dec 1	Bal b/d	3,419	Dec 8	B Young	462
7	F Lamb	101	15	F Gray	21
22	G Brock	44	28	T Errant	209
31	W Terry	319	31	Bal c/d	3,437
31	S Miller	246			
		<u>4,129</u>			<u>4,129</u>

Bank Statement

2018		Dr	Cr Balance
		\$	\$ \$
Dec 1	Balance b/d		3,419
7	Cheque		101 3,520
11	B Young	462	3,058
20	F Gray	21	3,037
22	Cheque		44 3,081
31	Credit transfer: T Morris		93 3,174
31	Bank charges	47	3,127

Required:

a.

- i. Write the cash book up to date and state the new balance as on 31 December 2018.
(6marks)
- ii. Draw up a bank reconciliation statement as on 31 December 2018.
(6marks)
- iii. Why is a positive bank balance shown as a credit balance in the bank statement?
(3marks)

b. Prepare a sales ledger control account from the following information for October 2018, carrying down the balance at 31 October:

2018	\$
Oct 1 Sales ledger balances	28,409
Oct 31 Sales journal	26,617
Bad debts written off	342

Cheques received from debtors	24,293
Discounts allowed	416
Cheques dishonoured	120
Returns inwards	924
Set-offs against balances in purchases ledger	319

[10marks]

[Total: 25 Marks]

Question Three

Enter the following in the three-column cash book of an office supply shop. Balance off the cash book at the end of the month and show the discount accounts in the general ledger.

2018

June 1 Balances brought forward: Cash \$420; Bank \$4,940.

2 The following paid us by cheque, in each case deducting a 5 per cent cash discount:

S Braga \$820; L Pine \$320; G Hodd \$440; M Rae \$1,040.

3 Cash sales paid direct into the bank \$740.

5 Paid rent by cash \$340.

6 We paid the following accounts by cheque, in each case deducting 2 1/2 per cent cash discount: M Peters \$360; G Graham \$960; F Bell \$400.

8 Withdrew cash from the bank for business use \$400.

10 Cash sales \$1,260.

12 B Age paid us their account of \$280 by cheque less \$4 cash discount.

14 Paid wages by cash \$540.

16 We paid the following accounts by cheque: R Todd \$310 less cash discount \$15; F.

- Dury \$412 less cash discount \$12.
- 20 Bought fixtures by cheque \$4,320.
- 24 Bought lorry paying by cheque \$14,300.
- 29 Received \$324 cheque from A Line.
- 30 Cash sales \$980.
- 30 Bought stationery paying by cash \$56

[Total: 25 Marks]

Question Four

Jean Marsh owns a small business making and selling children's toys. The following trial balance was extracted from her books on 31 December 2018.

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Capital		15,000
Drawings	2,000	
Sales		90,000
<i>Inventories at 1 January 2018:</i>		
Raw materials	3,400	
Finished goods	6,100	
Purchases of raw materials	18,000	
Carriage inwards	800	
Factory wages	18,500	
Office salaries	16,900	
J Marsh: salary and expenses	10,400	

General expenses:

Factory	1,200	
Office	750	
Lighting	2,500	
Rent	3,750	
Insurance	950	
Advertising	1,400	
Bad debts	650	
Discount received		1,600
Carriage outwards	375	
Plant and machinery, at cost less depreciation		9,100
Car, at cost less depreciation	4,200	
Bank	3,600	
Cash in hand	325	
Trade receivables and Trade payables	7,700	6,000
	112,600	112,600

Additional information:

1. Inventories at 31 December 2018

Raw materials \$2,900

Finished goods \$8,200

There was no work in progress.

2. Depreciation for the year is to be charged as follows:

Plant and machinery \$1,500

Car \$500

3. At 31 December 2018 Insurance paid in advance was \$150 and Office general expenses unpaid were \$75.
4. Lighting and rent are to be apportioned: $\frac{4}{5}$ Factory, $\frac{1}{5}$ Office
Insurance is to be apportioned: $\frac{3}{4}$ Factory, $\frac{1}{4}$ Office
5. Jean is the business's salesperson and her salary and expenses are to be treated as a selling expense. She has sole use of the business's car.

Required:

For the year ended 31 December 2018 prepare;

- a. A Manufacturing account showing prime cost and factory cost of production (5marks)
- b. A Statement of profit or loss and other comprehensive income (10marks)
- c. A Statement of financial position (10marks)

[Total: 25 Marks]

End of Paper